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Agricultural Adjustment Administration
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IMPROVING AND PROTECTING THE FARM INCOME
L. H. Bean - Economic Adviser to A.A.A.

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The standard of living in the average farm home has been increased considerably above the depressed level of 1932, but it is still about 25% lower than it was twenty-one years ago.

How are farmers going to protect the improvement attained so far? How are they going to attain a still further improvement, and what steps will they take toward making permanent the next full measure of prosperity when it arrives?

The Agricultural Adjustment activities of the past two years aimed at reducing export surpluses and have helped bring about partial recovery on farms and in cities. To protect these recent gains, similar activities will need to be carried on, otherwise the wheat belt, the corn-hog belt, the cotton and tobacco belt, would face again the problems of surplus production and of reduction in incomes.

Hog prices in relation to feed supplies are sufficiently high to start a marked hog production cycle that would in two years bring back 1933 conditions in the corn belt. A normal wheat crop in 1936, given only the present limited foreign demand, would again start piling up a carry-over about double the normal carry-over. An average cotton crop would add about two million bales to a carry-over that persists in being nearly twice normal. Protection of the gains made in farm income by reducing exportable surpluses calls for maintenance of control programs to prevent the return of another cycle of surpluses.

Abstract of talks at:

Columbus, Ohio - Sept. 20, 1935 (American Country Life Association)

Columbia, Mo. - Oct. 10, 1935 (Farmers' Week, University of Missouri)
Madison, Wis. - Oct. 18, 1935 (Extension Workers' Conference)
United States Department of Agriculture - A.A.A.

Farmers also need to protect the better balance that has been attained between the returns from crops and from livestock. In the years prior to this depression, when the total income from farm production was about twelve billion dollars, about half or six billion was derived from crops, the other half from livestock, but in 1932 crop incomes, which had been more greatly affected by the loss of foreign markets, had fallen to 2.2 billion dollars and income from livestock to about 3 billion. In 1934 the returns in each of these groups were about 3.5 billion dollars and represented a better balance than in the previous years. Adjustment programs of the future will aim to maintain that better balance through an increase in meat production from the present low level and through the maintenance of normal feed crop supplies.

From now on the problem in agricultural production will be less that of bringing down surpluses and more that of preventing future surpluses and of balancing production between crops and livestock so as to supply the normal domestic requirements for food and clothing materials. For certain commodities such as dairy products and certain fruits and vegetables, this should mean continuing to provide for a rising per capita consumption. For other products like potatoes, a policy of maintaining average production seems to be in the interest of producers and consumers alike. The pursuit of production policies that will supply normal domestic requirements would mean that the trend of farm prices and farm income would be determined by the trend in domestic consumer

purchasing power. This fact gives farmers their direct interest in speedy industrial revival.

In the very early stages of recovery, the rise in farm prices and in farm income preceded the rise in industrial activity. That stimulus to city workers' earnings, per person employed, made possible an advance in retail food prices which has so far kept pace with the earnings per person employed. Both retail food prices and average earning per factory-employed person fell forty percent between 1929 and 1932, but have now advanced nearly forty percent to about eighty to eighty-five percent of the 1928 level. The average employed person has thus been able to buy the same volume of food with his lower earnings as in 1928. At the same time there has also been an increase of about forty percent in the number of persons employed in factories and since a fairly constant proportion of consumer purchasing power is spent for meats, dairy products, and poultry, there has been a proportionate increase in farmers' receipts from the sale of these products.

The maintenance of recent gains in farm income from five billion dollars in 1932 to eight billion in 1935 depends on agricultural adjustment programs preventing the production cycles in corn-hogs, wheat, cotton, tobacco, and other commodities from bringing farm prices down toward the 1932-33 level. A restoration of farm income to the 12 billion dollar level of 1924-1929 calls for a rise in the national income from the present total of fifty-six billion dollars to the eighty billion dollars of 1929 and an additional increase in our farm export markets of one to two billion dollars. Such a rise in the national income would permit an expansion in

output in certain products without price declines. For others where the per capita consumption remains constant, it would mean a rise in prices in proportion to the national income. As a general rule, however, agriculture as a whole from now on is likely to obtain a greater total income through an advance in the national income rather than through increased production since the latter is likely to be offset by lower prices. Another way for farmers to obtain a larger income would be through a reduction in distribution costs, but in view of the experience of the past two years very little of immediate benefit to farmers can be expected from this quarter. Their chief hope lies in getting industrial production and employment back to prosperity levels.

The country at large has a vital interest in the farmers' readiness to provide consumers with an even flow of foods and clothing materials and in their ability to exchange this stable production at fair prices for the products of other industries, also at fair prices. Basically, the function of agriculture is to provide adequate food and clothing materials so that the other three-fourths of the population may produce from the mines and factories the things that make for a constantly increasing national wealth and standard of living. National wealth does not consist of the breakfasts or dinners we eat, but rather of the industrial production which properly fed and properly clothed individuals create. That proper feeding and clothing is the basic obligation of agriculture to the country at large.

Farmers, on the other hand, have a vital interest in a further rise in industrial production in the national purchasing power and, therefore, in an industrial policy that would improve the purchasing power of consumers and protect consumers against the loss of jobs

and earnings. In practically every decade since 1800, American farmers have had their economic well-being temporarily lifted and dropped by the increasingly violent fluctuations in domestic business conditions. Unless farmers see cooperative and adjustment activities in industry aimed at increased industrial production and employment at fair industrial prices, wages, and profits, such activities paralleling the cooperative efforts among the several branches of agriculture to produce for the normal requirements of a growing population, they would have real grounds for apprehension; for their gains of the recent past and such gains as they might share in the immediate future would be in real jeopardy.

The present generation of farmers know the temporary nature of the improvements in their income that could again be brought about either by war activity and inflation or by the usual peace-time rise from industrial depression to prosperity. We are still paying and suffering from the economic consequences of the sharp lift in farm income from seven billion dollars in 1914 to seventeen billion in 1919. That lift was brought about by war conditions that no sane person wants to see again. Prices more than doubled as foreign countries shipped their gold to us in payment for our goods. This gold we converted into an enormous expansion of credit for use in raising wages, salaries, increasing profits, and speculating in land and commodities. The country was extremely active but in an unbalanced and unbalancing way. Production was expanded in goods destined for destruction, and the building of necessary residences was brought almost to a standstill. The farmers' gains, as well as those of other groups, were temporary. A good part of the higher gross income was soon eaten up by higher costs and mounting debts and taxes. While

farm living standards rose about thirty-five to forty percent in the war years, they fell to about three-fourths of the pre-war level in 1921, when gross income fell to about eight billion dollars; and in addition farmers were saddled with the burdens of high fixed charges and millions of acres, the products of which were destined for a vanishing foreign demand.

The post-war increase in farm income from eight to twelve billion dollars was again brought about by a revival of many unbalanced conditions in production, prices and purchasing power. Typical of unbalanced production, we had a boom in building activity in 1925-26 and later in 1928-29, in other capital goods production such as machinery and automobiles. In agriculture, we continued to produce for foreign markets in spite of the fact that post-war restoration in Europe and nationalistic developments reduced foreign demand for our farm products. In the field of prices we had farm land values trending downward and industrial stock prices rising sharply after 1924, and converting millions of us into envious and hopeful speculators with distorted judgments. Disparities prevailed between very high distribution costs, industrial and farm prices. In the field of finance, we lent recklessly at home and abroad. Lending abroad, and erecting still higher tariffs against foreign industrial products, when, as a new creditor nation, we should have taken foreign goods in payment for past debts, turned out to be a very dear and devastating price for refusing to lower our tariffs.

In the field of consumer purchasing power there also developed maladjustments that contributed to undermine the 1928-29 boom. At one extreme we had an overproduction of millionaires, indicating

that too much of our national income was going into the hands of a few who either didn't use, or misused, their excessive purchasing power. At the other extreme, there were millions of families on a subsistence basis, potential customers without income. In agriculture half of the producers, those deriving income from crops affected by falling foreign demand, not only failed to keep pace with the national income, but actually got less in 1929 than in 1925.

On shaky stilts such as these in industry, agriculture, finance and trade, we finally reached the peace-time credit-engineered boom of 1929. Farm income attained an annual figure of 12 billion dollars before the boom toppled and brought farm income down to 5 billions.

A rise in farm income, were it again to be promoted by uncoordinated activities and policies such as typically characterized 1921-29 could hardly have any greater permanency than that of 1921-29. Even more certain than this is the dangerous character of the route of inflation and war activity as a way out of depression. Farmers and the rest of the country, through recent Congressional action, have recognized the chaos to which that way must ultimately lead.

Protecting the farm income against recurring industrial chaos such as the two post-war depressions, calls for much more than putting "the agricultural house" in order. Our industrial house must also be made more orderly. It calls for a willingness on the part of business leaders to develop an industrial program of greater production, of full employment, of a balanced rate of expansion as between major industries. Such an industrial objective would call

for the adoption of democratic devices, rather than the present individualistic ones, in determining the proper relations between volume of production, earnings of wage workers, prices of goods and services and consumer purchasing power. The great interest of farmers in full industrial recovery and in protection against subsequent chaos would justify more active interest among farm leaders in promoting ways of economic democracy in industry as well as in agriculture, in helping to devise inducements for cooperation between industry, labor, consumers and farmers, all working in behalf of creating more and more wealth from our mines and factories, supported by an adequate flow of food and clothing materials from the farm.

The task of coordinating the production of farm products has by no means been accomplished, but remarkable progress has been made in the fact alone that three million farmers in their cooperative contracts with other farmers and in their training in county control committees have learned to look beyond county, state and commodity lines. An experience is here being developed that will ultimately promote progressive stability in agriculture and contribute to industrial stability as well.

The task in industry in many respects is no more complex than in agriculture. As a matter of fact, most of the business of the land is done by 400,000 to 500,000 corporations and the 200 largest ones now control over fifty percent of the industrial capacity. In the industry that exemplifies the present modern age, the motor industry, three individuals or boards of directors control the policies ninety-two percent of the current production

and distribution of automobiles. In the field of distribution also, we have the example of a few persons able to direct vast organizations that cover the entire country and reach out over the world as well. The meat packing industry, for example, whose exponents argue that agricultural adjustment programs should be dropped because the problems are too complex, nevertheless handle nearly all of the livestock production of six million farms through about eight hundred establishments and four of them do nearly half of the total value of wholesale meat packing business.

Complex problems, both in agriculture and in industry, can be handled provided there is the vision and the common sense, and above all the willingness to yield to the common interests of all groups concerned. It is as much the job of agricultural leaders to make this fact clear to their business friends as it is to make it clear to their farmer friends, for therein lies the most important element of protection for the future of a stable and advancing farm income and farm living standards.

